



THE CITY OF SAN DIEGO

DATE: March 6, 2008

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, Internal Auditor

SUBJECT: **Monthly Internal Audit Activity Report - February 2008**

This report provides information on Internal Audit's activities and accomplishments for the month of February 2008. It includes audit reports and other products produced during this period, the status of current audit projects and activities, and a summary of planned audits.

Audit Reports and Products Completed:

- 2008 Citywide Risk Assessment and Internal Audit Work Plan
- San Diego Public Library Foundation Audit

Current Audits and Activities:

Audit Activity	Description / Status	Target Completion Date
Close-out Audits	Close-out audits are required by City Charter, Article VII, Section 111 when a City Official leaves office. The primary audit objectives are to verify that there are no outstanding debts owed by the City Official to the City, and to ensure that access to critical information and processes has been revoked. We are conducting close-out audits for Jim Waring, Marcella Escobar-Eck, Rich Snapper, Lance Wade, Rick Reynolds, Richard Haas, and Tim Bertch. These audits are nearly complete. Close-out audits take approximately 24 audit hours each.	March 15, 2008

Current and Audits and Activities (Continued):

Audit Activity	Status	Target Completion Date
Fiscal Year 2007 Cash Count and Cash Reconciliation Process Audit	The objectives of this audit is to determine if deposits collected at year end are properly accounted for and revenue is posted to the correct fiscal year, and to determine if the control weaknesses identified by prior reports regarding the City's cash reconciliation process have been corrected. We have completed testing and are in the process of reviewing audit workpapers and the draft report. An exit conference must be held and management's response obtained before the report is issued. This audit has taken approximately 600 hours.	April 15, 2008
Internal Controls Over Financial Reporting	We are testing management's remediation efforts to correct weaknesses identified in the Kroll Report, and other external auditor's and the Internal Auditor's reports. In addition to our testing of 54 weaknesses shown in the January 2008 Annual Report On Internal Controls, we have completed testing on 37 other items. The testing results for 10 additional items are under review, and 58 items remain to be tested. We anticipate issuing a report by March 31, 2008 on our testing results of SDCERS items. We expect to complete our testing of the 58 remaining items currently reported as remediated by the end of June 2008. We have used approximately 1,120 audit hours, and we estimate an additional 1,200 hours will be needed to test the current items remediated.	June 30, 2008 (For Current Items Reported as Remediated)
Performance Audit of Southeastern Economic Development Corporation	Overseeing a Macias Consulting agreement to conduct a performance audit. Audit in progress.	June 30, 2008
Disclosure Practices Working Group (DPWG)	Internal Auditor participates in DPWG meetings as an Ex-Oficio member.	On-going

Current and Audits and Activities (Continued):

Audit Activity	Status	Target Completion Date
Hotline and Intake Review Committee	Participate in biweekly meetings to review hotline complaints. Investigations will be performed by Internal Audit for accusations of material fraudulent activity or questionable financial reporting. No hotline calls required investigation by Internal Audit during the month of February 2008.	On-going
Follow-up on Previously Issued Audit Reports	<p>We previously reviewed all of the Internal Audit reports issued since fiscal year 2005 to determine which reports did not have a response from management on file indicating that the audit recommendations were implemented. We have received all of the responses needed with the exception of the following three reports:</p> <ol style="list-style-type: none"> 1. Real Estate Assets - Condemnation Deposit Review 2. SDCERS - Audit of Account of George Loveland 3. SDCERS - Audit of Corbett Payment 2004 and Related Allowances <p>We will follow-up to obtain management's written responses. In addition, we have created a database to track outside audit reports issued to the City, as well as management's response to these reports.</p>	On-going
Training	Audit staff attended training sponsored by the Institute of Internal Auditors training on Best Practices for Audit Analysis. The Internal Auditor attended a three day training seminar sponsored by the U.S. Government Accountability Office on Transforming Government Through Improved Accountability. In addition, the Internal Audit Manager is in the process on becoming a Certified Fraud Examiner.	On-going

Planned Audits - Through June 30, 2008:

Audit	Description	Target Start/Completion Date
City Library Fee Collection Process	The objective of our audit will be to determine if the fees collected by the libraries are being properly collected and accurately reported by the City. This audit is in the planning stage. Estimated audit hours: 320	March – June 2008
Annual Central Stores Inventory Audit	The San Diego Municipal Code Section §22.0501 requires an annual audit of inventory in the City storerooms and warehouses. The objective of this audit is to confirm the valuation of Central Stores inventory and to evaluate the storerooms internal controls to safeguard inventory. Estimated audit hours: 240	June – August 2008
Real Estate Assets- Qualcomm Stadium Administration Audit	The objective of our audit will be to determine if the revenue generated by Qualcomm Stadium is being properly collected and accurately reported by the City. Estimated audit hours: TBD	TBD
Enterprise Resource Planning (ERP) System Implementation Review	The implementation of the ERP System has been selected by Internal Audit for review because of its risk score and its importance in the City's quality of financial reporting and disclosure. The objective of our audit will be to: (a) determine if the City's key financial activities are being adequately reviewed and documented prior to the new system implementation to ensure key financial processes are properly addressed by the new system and (b) determine if the system was adequately tested prior to implementation. Estimated audit hours: TBD	TBD

Planned Audits - Through June 30, 2008 (Continued):

Audit	Description	Target Start/Completion Date
Community Facilities District #3 Cost Reimbursement Audits	The purchase and finance agreement stipulates that the City's Auditor will review the contractor's reimbursement package. The objective of this review is to verify the accuracy of the reimbursement amount owed to the contractor before payments are made. The contractor submits reimbursement packages as projects are completed. We expect to receive two submittals for review through June 30, 2008. Estimated audit hours: 32 per reimbursement package submittal.	TBD

cc: Honorable Mayor Jerry Sanders
Honorable City Council Members
Jay M. Goldstone, Chief Operating Officer
Mary Lewis, Chief Financial Officer
Andrea Tevlin, Independent Budget Analyst
Stanley Keller, Independent Oversight Monitor